



Thrift Savings Plan BULLETIN

for Agency TSP Representatives

Subject: Effect of Nonpay Status on Thrift Savings Plan Participation

Date: April 3, 2002

This bulletin explains how placement in nonpay status, e.g., furlough or leave without pay (LWOP), affects an employee's Thrift Savings Plan (TSP) participation. It supersedes TSP Bulletin 01-22, dated May 3, 2001, and provides updated information about employees who are placed in nonpay status to perform military service. Attachment 1 to this bulletin is a revised [Fact Sheet](#) that agency representatives should provide to employees with TSP accounts who enter nonpay status. Attachment 2 is a revised [Form TSP-41](#), which agency representatives should complete to report to the TSP the nonpay status of employees who have TSP loans. In addition, agency representatives should complete a new Form TSP-41 to report the period of military service for employees who return to pay status after performing military service.

This bulletin **does not apply** to employees placed on leave without pay (LWOP) to perform an assignment with a state or local government agency under the provisions of the Intergovernmental Personnel Act or to employees placed on LWOP to serve as full-time officers or employees of a union. These employees can continue to contribute to their TSP accounts and their employing offices must continue to deduct and send loan payments, as explained in 5 C.F.R. part 1620.

I. TSP Contributions

A. Contribution elections

Placement in nonpay status does not affect an employee's eligibility to make TSP contribution elections. Agencies must process contribution elections made by employees in nonpay status just as they process contribution elections made by employees in pay status. See TSP Bulletin 01-4, Participation in the Thrift Savings Plan, dated February 2, 2001, for information about contribution elections and their processing by agencies.

(continued on next page)

Inquiries: Questions concerning this bulletin should be directed to the Federal Retirement Thrift Investment Board at **202-942-1460**.

Chapter: This bulletin may be filed in Chapter 3, Eligibility.

Supersedes: This bulletin supersedes TSP Bulletin 01-22, Effect of Nonpay Status on Thrift Savings Plan Participation, dated May 3, 2001.

B. Contribution allocations

Placement in nonpay status does not affect an employee's eligibility to make a contribution allocation. The TSP will process contribution allocations made by employees in nonpay status just as it processes contribution allocations made by employees in pay status. See TSP Bulletin 01-2, Processing Agency Submissions in the Modified Current Record Keeping System, dated January 10, 2001, for information about contribution allocations and their processing by the TSP.

C. Determining contributions

1. If an employee is in nonpay status for an entire pay period, TSP employee and agency contributions are not made for that pay period. This is true even if the employee is receiving benefits from the Office of Workers' Compensation Programs (OWCP). TSP contributions, including the Agency Automatic (1%) Contributions made to the accounts of employees covered by FERS,¹ are based upon the basic pay the employee earned for the pay period. Because the employee's basic pay is zero, TSP contributions are zero. (An employee receiving OWCP benefits is **not** receiving basic pay, which is defined by law at 5 U.S.C. § 8331.)

Generally, an employee cannot make up the missed TSP contributions when he or she returns to pay status. However, if the employee was placed in nonpay status to enter military service and returns to duty pursuant to the provisions of the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), the employee has the opportunity to make up and receive contributions missed while performing military service. See TSP Bulletin 02-7, dated April 3, 2002, for more information about TSP benefits resulting from the application of the provisions of USERRA.

2. If an employee receives some basic pay for working a portion of a pay period:
 - a. The Agency Automatic (1%) Contribution for the pay period is determined using the basic pay the employee earned for the pay period.
 - b. If the employee elected to contribute a percentage of pay, the Employee Contribution for the pay period is determined using the basic pay earned for the pay period.

¹ FERS refers to the Federal Employees' Retirement System, the Foreign Service Pension System, and other equivalent Federal retirement systems.

If the employee elected to contribute a whole dollar amount, and the amount exceeds the maximum allowable percentage of the employee's basic pay for that pay period, the Employee Contribution must be reduced to the maximum allowable percentage of the basic pay.² If the elected whole dollar amount exceeds the employee's net pay for the pay period, **no** Employee Contribution is made for the pay period.

- c. The Agency Matching Contribution for the pay period is determined using the basic pay the employee earned and the Employee Contribution made for the pay period.
3. For more information about basic pay and determining TSP contributions, see TSP Bulletin 02-8, dated April 3, 2002.

II. TSP Loans

A. Effect of nonpay status

1. Because TSP loan payments may only be made through payroll allotments, employees in nonpay status are not eligible to receive TSP loans until they return to pay status.
2. If an employee who has a TSP loan is in nonpay status for one or more pay periods, the employee will miss loan payments. Also, an employee in nonpay status for less than a single pay period will miss a loan payment if the employee's pay is not enough to make the payment. The agency is not to adjust the amount of the loan payment; the full loan payment must be made.
3. If NFC receives documentation of the approved nonpay status,³ the employee's loan payments will be suspended as follows:
 - a. If the employee was placed in nonpay status for any reason other than to perform military service, loan payments can be suspended for up to one year. However, general purpose loans must be repaid in full within 5 years of their issuance date and residential loans must be repaid in full within 18 years of their issuance date.

² See TSP Bulletin 01-3, New Thrift Savings Plan Employee Contribution Limits, dated January 23, 2001, for the maximum allowable percentages.

³ Approved nonpay status is the result of agency management's approval of the employee's absence from duty (e.g., furlough, leave without pay, pending resolution of a grievance or appeal, and suspension). AWOL (absence without leave) is **not** an approved nonpay status.

If the employee does not return to pay status within one year, he or she must repay the loan in full at the end of the first year of the non-pay status or a taxable distribution of the unpaid loan principal and any accrued interest will be declared. Further, if due to the suspension the employee does not repay the loan within the 18-year or 5-year time frame, he or she must prepay the loan in full when the relevant time frame expires, or a taxable distribution will be declared.

- b. If the employee was placed in nonpay status to perform military service, loan payments can be suspended until the employee returns to pay status or separates from Federal service. In addition, the time frame for repaying the loan (either the original term or, if applicable, the reamortized term) will be extended by the employee's period of military service.

If the employee does not repay the loan within this extended time frame, he or she must prepay the loan in full when the time frame expires, or a taxable distribution will be declared.

- c. When an employee who has missed payments for less than 90 days returns to pay status, his or her loan payment schedule will be extended as long as it does not exceed the time frame explained in a. or b. above. If an extension is not possible or if loan payments have been missed for 90 days or more, the employee must reamortize the loan.
4. If NFC does **not** receive documentation of an employee's approved non-pay status and loan payments are missed for 90 days or more, the loan must be reamortized. However, because the participant cannot reamortize the loan and make loan payments because of the nonpay status, the result is that the employee must prepay the loan in full or a taxable distribution due to missed payments will be declared.

B. Employee and Agency responsibilities

1. When an employee who has a TSP loan is placed in approved nonpay status, the employee or an agency representative (e.g., a personnel or payroll representative or the employee's supervisor) must send the TSP written notification of this action.

Acceptable notification may be any one of the following items:

- Form TSP-41, Notification to TSP of Nonpay Status (Attachment 2), which we have developed for this purpose; or
- the employee's SF-50, Notification of Personnel Action, documenting the nonpay status; or

- a letter on agency letterhead which includes the employee's name, Social Security number, the beginning date of the nonpay status, whether or not the nonpay status is due to military service, and the signature and title of the agency representative providing the information.

Failure to send this notification timely may result in a taxable distribution of the employee's loan. (See A.4 above.)

2. When the employee returns to pay status, the agency must resume the employee's loan payments. If the loan must be reamortized, the TSP will notify the employee and, after the employee reamortizes the loan, will notify the agency of the employee's new loan payment amount. The agency must then deduct and report the reamortized amount.
3. When an employee returns to pay status after performing military service, the employee or an agency representative must send the TSP written notification of the beginning and ending dates of the military service. To provide these dates, the employee may send a copy of DD Form 214, Certification of Release or Discharge From Active Duty, or the agency may submit Form TSP-41.
4. The booklet *TSP Loan Program* contains more information on how missing loan payments will affect employees. Agencies should call the TSP Operations Office at (504) 255-5110 if they have any questions about correct loan payments for their employees, or if they have questions about the notices sent to them by the TSP record keeper, the National Finance Center (NFC).

C. NFC responsibilities

1. If a loan payment is missed and the agency has not notified NFC that the employee is in approved nonpay status, NFC will notify **both** the employee and the employee's payroll office that correct loan payments have not been received. The notification to the agency instructs the agency to:
 - resume correct loan payments if the employee is in pay status; or
 - submit an Employee Data Record (06-Record) with the appropriate TSP-Employment Code and TSP-Employment Code Date if the employee has separated or transferred; or
 - send one of the forms of notification in B.1 above, if the employee is in approved nonpay status.
2. If after about 60 days correct loan payments have not resumed and NFC has still not been notified of the employee's approved nonpay status (or

separation), NFC will notify both the employee and the employee's payroll office again that payments are missing.

3. If proper notification of approved nonpay status is received, no action will be taken until loan payments resume or until loan payments can no longer be suspended, as described in A.3 above.
4. If after 90 days of missed payments the employee or the agency has failed to send proper notification confirming the employee's approved nonpay status, reamortization forms will be sent to the employee for completion.

If the employee fails to return the reamortization forms, or if the correct reamortized payment is not received in the allotted time, the employee must prepay the loan or a taxable distribution will be declared.

If NFC receives a late agency report of the employee's approved nonpay status before the loan is closed by payment in full or a taxable distribution, NFC will review the nonpay documentation in conjunction with the missed payments and take appropriate action.

III. TSP In-Service Withdrawals

Participants who are in nonpay status may withdraw funds from their TSP account if they are age 59½ or older (an age-based withdrawal) or if they are experiencing financial hardship. The booklet *TSP In-Service Withdrawals* contains additional information about these options.



PAMELA-JEANNE MORAN
Deputy Director
Office of External Affairs

Attachments: Thrift Savings Plan Fact Sheet, "Effect of Nonpay Status on TSP Participation"

Form TSP-41, Notification to TSP of Nonpay Status



THRIFT SAVINGS PLAN

NOTIFICATION TO TSP OF NONPAY STATUS

TSP-41

Agency representatives — Use this form to notify the TSP record keeper when a participant who has a TSP loan is placed in an approved nonpay status (e.g., furlough, suspension, leave without pay, including leave without pay to perform military service or pending resolution of a grievance or appeal). In addition, use this form to notify the TSP record keeper when a participant who entered nonpay status to perform military service returns to pay status. If you have any questions, call the TSP Agency Technical Support Section at the number shown below. Agency representatives should mail or fax the completed form to:

**Thrift Savings Plan
National Finance Center
P.O. Box 61820
New Orleans, LA 70161-1820**

Telephone: (504) 255-5110
TDD: (504) 255-6302
Fax: (504) 255-5199

Participants — **Do not submit this form.** It must be certified and submitted by your agency.

I. INFORMATION ABOUT THE PARTICIPANT

1. Name of Employee _____
Last First Middle
2. Social Security Number _____ - _____ - _____

II. INFORMATION ABOUT NONPAY STATUS

Complete this section **when the participant enters nonpay status.**

3. Beginning Date of Nonpay Status _____ / _____ / _____
mm dd yyyy
4. Is the nonpay status due to military service? ☐ Yes ☐ No

III. INFORMATION ABOUT DATES OF MILITARY SERVICE

Complete this section **when a participant who entered nonpay status to perform military service returns to pay status.** Do **not** complete this section for other participants when they return to pay status.

5. Beginning Date of Military Service _____ / _____ / _____
mm dd yyyy
6. Ending Date of Military Service _____ / _____ / _____
mm dd yyyy

IV. AGENCY CERTIFICATION

7. _____ 8. _____
Signature of Agency Official Date Signed
9. _____ 10. (_____) _____ - _____
Typed or Printed Name of Agency Official Telephone Number
11. _____
Title of Agency Official